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FISCAL IMPACT STATEMENT

LS 6615

BILL NUMBER: SB 218

NOTE PREPARED: Dec 31, 2009

BILL AMENDED:

SUBJECT: Recovery of Local Property Tax Incentives.

FIRST AUTHOR: Sen. Deig

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill requires a property owner to pay back all or part of the property taxes saved by the property owner as a result of the property tax deduction for rehabilitating or redeveloping real property if the property owner ceases operations during the deduction period or fails to employ the number of individuals the property owner estimated in the application for the deduction. It provides that the methodology for determining the amount to be paid back must be set forth in the resolution approving the deduction. It provides that each affected taxing unit receives a pro rata share of the amount paid back.

Effective Date: July 1, 2010.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: Circuit or superior courts may see an increase in appeals if property owners, who might not file an appeal if their abatement is terminated, would decide to do so because they also have to return some or all of the property taxes they did not previously have to pay because of the deduction.

Explanation of Local Revenues: Under current law, if a designating body determines that a property owner who has been granted a property tax abatement has not made a reasonable effort to comply with the statement of benefits under which the abatement was granted, the designating body shall adopt a resolution terminating the property owner's deduction. The property owner, in turn, may appeal the decision to the circuit or superior court. The appeal shall be promptly heard by the court. Its judgement may be appealed in the same manner as other civil actions.

Under this bill, the designating body, at its discretion, may also require that the property owner return all or part of the property taxes the owner did not pay during the deduction period. The methodology used to compute the specific amount would be stated in the resolution. The property owner may appeal the decision to the circuit and civil courts as under current law.

This bill also requires that when a designating body approves an abatement, it include in the resolution the methodology that will be used to determine the amount of property taxes the property owner may have to pay back in the event that the designating body chooses to terminate the deduction.

If, as a result of this bill, the county succeeds in recouping the property taxes in question, the county auditor would distribute the payment to each taxing unit in the same manner as it allocated the property taxes due for each year the deduction was taken. As a result, there could possibly be a one-time increase in local revenues. If the amount is substantial, it might lead to a reduction in tax rates and circuit breaker credits for that pay year.

State Agencies Affected: Court of Appeals.

Local Agencies Affected: Local circuit and superior courts; Local taxing units; County auditors, County treasurers.

Information Sources:

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